

## PUBLIC SERVICE COMMISSION OF WISCONSIN

### Minutes and Informal Instructions of the Open Meeting of Wednesday, November 26, 2014

The Public Service Commission of Wisconsin (Commission) met as noticed. Present were Chairperson Montgomery, Commissioner Callisto and Commissioner Nowak.

#### **6680-AU-114 - Application for Approval of an Affiliated Interest Agreement Between Wisconsin Power and Light Company and Interstate Power and Light Company Regarding Transfer of Supply**

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

#### **120-WR-104 - Application of Altoona Municipal Water and Sewer Utility, Eau Claire County, Wisconsin, for Authority to Increase Water Rates**

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

#### **3460-WR-104 - Application of Mayville Municipal Water Utility, Dodge County, Wisconsin, for Authority to Increase Water Rates**

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

#### **6630-GF-131 - Application of Wisconsin Electric Power Company for Gas Risk Management Programs**

The Commission approved the revised risk management plan, filed on behalf of Wisconsin Electric Power Company for its natural gas operations (WE-GO), through December 31, 2014. WE-GO shall continue to abide by the conditions set forth in the Final Decision in this docket, dated December 14, 2009.

The Commission directed the Gas and Energy Division to draft an order consistent with its decision.

#### **6650-GF-104 - Application of Wisconsin Gas LLC for Gas Risk Management Programs**

The Commission approved the revised risk management plan, filed on behalf of Wisconsin Gas LLC (WG) for the natural gas utility, through December 31, 2014. WG shall continue to abide by the conditions set forth in the Final Decision in this docket, dated December 14, 2009.

The Commission directed the Gas and Energy Division to draft an order consistent with its decision.

**1-IC-476 - Application for Intervenor Compensation Filed by Clean Wisconsin for \$94,010 to Participate in Docket 6650-CG-233**

The Commission modified and approved an award of supplemental intervenor compensation to Clean Wisconsin in the amount of \$11,382.45.

The Commission directed the Gas and Energy Division to draft an order consistent with its decision.

**Application for Supplemental Intervenor Compensation Filed by Clean Wisconsin**

**3270-UR-120 - Application of Madison Gas and Electric Company for Authority to Change Electric and Natural Gas Rates**

The Commission discussed this matter and made preliminary determinations, including the following:

1. All of the uncontested alternatives for the uncontested issues were accepted in this matter.
2. The 2015 approved fuel cost plan shall reflect a forecast of 40 percent blend of Powder River Basin coal blend to bituminous coal at both Elm Road Generating Units 1 and 2.
3. It is reasonable to authorize Madison Gas and Electric (MGE) to use escrow accounting treatment for its 2015 Midcontinent Independent System Operator, Inc. (MISO) System Support Resource costs and for all other 2015 electric transmission-related costs from American Transmission Company and MISO.
4. It is reasonable to continue to review the appropriateness of whether to include recovery in rates of the costs associated with the Wisconsin Pollutant Discharge Elimination System Settlement Agreement on a case-by-case basis. It is further reasonable to include the Lake Michigan funding in the electric revenue requirement.
5. It is reasonable to include the updated estimate of pension and other post-retirement benefit costs relating to the return on pension assets and the discount rate assumption into the electric and natural gas revenue requirements. Commission staff shall review the issue of automatic pension and benefit updates and their prediction record in the next round of rate cases for MGE and the other investor-owned utilities.
6. A reasonable rate of return on MGE common equity is 10.2 percent.

Commissioner Callisto dissented.

7. It is reasonable to consider the full range of cost-of-service study (COSS) results presented in the record when allocating test year 2015 electric revenue responsibility.
8. It is not appropriate to specify what specific costs are appropriate to consider when setting fixed charge rates for residential and small commercial customers. It is reasonable to consider a variety of factors in determining which utility costs should be considered fixed costs, including Commission policies, fairness, and economic efficiency over the short- and long-term when setting fixed charge rates for residential and small commercial customers.
9. A reasonable electric revenue allocation for 2015 is: Residential, 3.51 percent increase; small commercial, no increase; lighting and miscellaneous service, 7.00 percent increase; Cg-4, 4.50 percent increase; Cg-2 and Cg-6, 4.85% increase; Cp-1, 3.00 percent increase; Sp-3, 5.00 percent increase; and Sp-4, 4.80 percent increase.

Chairperson Montgomery dissented.

10. The overall electric rate design proposed by MGE, as adjusted for the final revenue requirement and the uncontested rate and tariff changes proposed in Mr. James' testimony are reasonable.

Commissioner Callisto dissented on the approval of MGE's overall electric rate design and concurred with the uncontested rate and tariff changes.

11. It is reasonable to increase the total fixed charges and decrease the energy charge for residential and small commercial customers to the levels proposed by MGE.

Commissioner Callisto dissented.

12. While it is reasonable to authorize a proposed charge of \$4.03 per month for a grid connection services for all rate classes except Cp-1 and Sp-3, it is not reasonable to create a separate line item on the customer bill to reflect this specific charge. It is reasonable to include a \$19.00 per month fixed charge on customer bills called a Grid Connection and Customer Service Charge.

Commissioner Callisto dissented.

13. It is not reasonable at this time to authorize the new, optional low-income rate for residential electric customers proposed by MGE. MGE, Commission staff and other

interested stakeholders shall further analyze this proposed rate for potential reconsideration in MGE's next rate case.

Commissioner Callisto dissented because he would not have approved the increase in fixed charges.

14. MGE shall not eliminate the Rg-3 residential lifeline rate in 2015 and shall work with Commission staff and other interested stakeholders to consider an alternative to this rate for potential consideration in MGE's next rate case.

Commissioner Callisto dissented and would have phased this rate out over MGE's next three rate cases.

15. It is reasonable to authorize new Rg-7, Cg-7 and Cg-8 distributed generation tariffs as proposed by MGE and modified to allow qualifying customers to continue to take service under these rates until December 31, 2026.

Commissioner Nowak dissented.

16. It is reasonable to lower the Green Power Tomorrow rate to \$0.0244 per kWh. MGE, Commission staff and other interested stakeholders shall continue to monitor this rate and shall provide a more detailed analysis of the methodology used to calculate this rate in MGE's next rate case.

Chairperson Montgomery dissented.

17. It is reasonable for MGE to continue to evaluate possible development of new customer class breakouts that may better reflect similar load profiles among customers within the class. While MGE is not required to propose new customer class breakouts, it shall report on the status of its evaluation in MGE's next rate case.

18. The Commission declined to issue specific written guidance to MGE in the Final Decision regarding the rate design collaborative but encouraged MGE to consider discussing some of the following: ways to modify rates to send better price signals that result in better alignment between fixed costs and fixed charges; the appropriate buy-back rate for distributed generation that is set by the market (e.g. locational marginal price-based); whether demand charges are appropriate, and if so, what should be used as the proxy for demand (e.g. nameplate capacity, demand meters); the appropriate true-up period (e.g. monthly vs. annual); and other means for getting demand data from residential customers to assist these customers in better understanding the costs associated with their use.

Commissioner Callisto dissented and would have offered specific written guidance to consider, at a minimum, the issues identified by Commission staff, and would have directed that the collaborative be led by a Commissioner or senior member of Commission staff.

19. The Commission declined to open a separate investigation to consider statewide utility rate policy.

Commissioner Callisto dissented.

20. It is reasonable to rely on several COSS methods when determining final rates for natural gas service.

21. It is reasonable to rely upon the natural gas rate design proposed by MGE when determining final rates for natural gas service.

Commissioner Callisto dissented.

22. MGE shall eliminate the RD-2 lifeline rate in 2016 and are encouraged to consider with Commission staff and other interested stakeholders an alternative to this rate for potential consideration in MGE's next rate case. MGE shall also assist remaining customers to take advantage of the Department of Administration weatherization program.

Commissioner Callisto dissented and would have phased this rate out over MGE's next three rate cases.

23. It is not reasonable at this time to authorize the new, optional low-income rate for residential natural gas customers proposed by MGE (RLI-1). MGE is encouraged to discuss this proposed rate further for potential reconsideration in MGE's next rate case.

Commissioner Callisto dissented because he would not have approved the increase in fixed charges.

24. It is reasonable to approve MGE's proposed SD-2 tariff.

25. It is reasonable to grandfather MGE's existing SD-1 customers for a period of time not to exceed 10 years and to direct MGE, Commission staff and other interested stakeholders to further evaluate in MGE's next rate case whether MGE should either continue to make SD-1 available to seasonal customers with usage less than 50,000 therms per year or consider whether such seasonal customers should be a particular service type within their distribution service classes or create new classes for those customers.

26. It is reasonable to require MGE to conduct a feasibility study and develop an implementation plan for metered demand charges for its largest volume customers in its next natural gas rate case.
27. The appropriate daily transportation (Daily Balancing Service or DBS) administrative fee is \$4.30 per day.

The Commission directed the Gas and Energy Division to draft an order in this docket, consistent with its discussion. The order shall be returned to the Commission for final review and approval.

Commissioner Callisto abstained from the final vote.

**CLOSED SESSION - The Commission may recess the open meeting, go into closed session under Wis. Stat. § 19.85(1)(g) to discuss the litigation matter noted below with legal counsel, and reconvene the open meeting pursuant to Wis. Stat. § 19.85(2).**

Commissioner Callisto moved, pursuant to Wis. Stat. § 19.85(1)(g), that the Commission convene in closed session to discuss the litigation matters listed below. Commissioner Nowak seconded the motion. The motion was carried and the Commission went into closed session.

After discussion in closed session, the Commission reconvened in open session.

**FERC Docket No. ER15-358-000 – Midcontinent Independent System Operator, Inc.**

**Request of MISO and MISO Transmission Owners for Incentive Adder to Return on Equity, Effective 11/7/14, for Participation in Regional Transmission Organization**

**Status Report from Counsel**

During the discussion held in closed session, information was presented to the Commission regarding the above litigation matter. No motion was made with respect to this item.

The Commission adjourned the meeting at 12:25 p.m.

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Sandra J. Paske  
Secretary to the Commission

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